



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2249 (1955)

March 14, 1991

SUBJECT: Collections from Cash Sales of Acquired Property

TO: State Directors, District Directors
and County Supervisors

Purpose/Intended Outcome:

The Office of Inspector General (OIG) recently completed an audit of FmHA collection systems which identified a need to improve internal controls over collections from cash sales of acquired property. Cash sales of acquired FP or SFH real property are usually closed by a closing agent who provides a settlement statement to document deductions and account for differences between the sale price and net sale proceeds. When an FmHA employee was authorized to close a cash sale (of acquired FP chattel property or SFH real property without title clearance requirements), OIG found no supporting documentation.

This AN is to remind you that: (1) FmHA Instruction 1955-C provides for authorized expenses to be paid by deduction from sale proceeds when sufficient funds are available; (2) To avoid duplicate payment, if deductions are not feasible when funds are available, as in the cases described below, the circumstances must be documented in the inventory property case file to justify payment of contractual expenses under FmHA Instruction 2024-A or non-contractual expenses under FmHA Instruction 2024-P; (3) Differences between sale price and net sale proceeds remitted (i.e., deducted expenses) must be documented in the file; and (4) Sale proceeds must be remitted promptly.

Comparison with Previous AN: No previous AN has been issued on this subject.

Implementation Responsibilities:

Although FmHA employees are authorized to close certain cash sales of acquired property and deduct certain expenses from the sale proceeds when sufficient funds are available; they are NOT authorized to cash or otherwise negotiate a check payable to FmHA which represents a cash sale of inventory property, therefore, any check received for gross sale proceeds must be remitted in full and expenses paid under FmHA Instruction 2024-A or 2024-P, as noted above.

EXPIRATION: March 31, 1992

FILING INSTRUCTIONS:
Preceding
FmHA Instruction 1955-C



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In other cases; for example, when a broker buys a property or when an auctioneer conducts a sale; a commission may be deducted and the FmHA employee may accept a check for net sale proceeds. A deduction of this type must be documented by a written, itemized statement from the buyer and/or the recipient of the expense item.

To assure that cash is disbursed properly in all cash sales of acquired property the following steps will be taken:

1. County Supervisors will assure that information entered into the Acquired Property Tracking System (APTS) reporting a sale of inventory property is supported by source documents in the inventory property case file. Source documents include the listing notice showing price and/or price reductions, the appraisal, the sales contract, the closing agent's settlement statement, sealed bid or auction documentation, or other statements supporting deductions from the sale price. As a minimum, any information not clearly indicated in source documents, such as calculation of a commission, must be documented in the running record. The file must also include justification in the running record for the payment of any expense under FmHA Instruction 2024-A or 2024-P if sufficient cash was available to pay the expense at closing. County Supervisors are reminded that collections must be remitted on the day of closing.
2. District Directors will conduct post-closing reviews of all cash sales to assure that all information entered into the APTS accurately reflects the sale price, any deductions and the net sale proceeds, as evidenced by the source documents. Payment of expenses by deduction from sale proceeds should be reviewed to assure they are not duplicated by payments under FmHA Instructions 2024-A or 2024-P. Reported net sale proceeds and the closing date should be compared to the amount and the remittance date on Form FmHA 451-2, Schedule of Remittances.
3. State Directors will issue a notice to all closing agents within 15 days of the receipt of this AN, reminding them of the importance of remitting collections to FmHA on the day of closing.


LA VERNE AUSMAN
Administrator